FISCAL MEMORANDUM
SB 1719 – HB 2084

June 11, 2007

SUMMARY OF AMENDMENT (010107): Deletes the language of the original bill. Creates a franchise tax credit equal to 1% of the total franchise tax liability for business entities domiciled in Tennessee that establish or operate call centers for customer service or distribution facilities in counties meeting the current definition of "economic distress."

FISCAL IMPACT OF ORIGINAL BILL:

Decrease State Revenues - $500,000

Increase State Expenditures - $100,000 One-Time

Other Fiscal Impact - Any decrease to state tax revenues resulting from the franchise tax credit proposed could be offset by a subsequent increase to state revenues resulting from new economic activity that could occur as a result of this legislation. This portion of the fiscal impact is dependent upon several unknown factors and is not quantifiable as a result.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Decrease State Revenues - $183,000

Increase State Expenditures - $100,000 One-Time

Other Fiscal Impact - Any decrease to state tax revenues resulting from the franchise tax credit proposed could be offset by a subsequent increase to state revenues resulting from new economic activity that could occur as a result of this legislation. This portion of the fiscal impact is dependent upon several unknown factors and is not quantifiable as a result.

Assumptions applied to amendment:

- Under the original language of the bill, qualified business enterprises could be eligible for the proposed franchise tax credit if located in one of 74 possible counties meeting certain population requirements.

- According to the Department of Economic and Community Development, there are 27 counties meeting the current definition of economic distress.
- The 27 counties are as follows: Campbell, Carroll, Claiborne, Clay, Cocke, Fentress, Gibson, Grundy, Hancock, Hardeman, Haywood, Henry, Houston, Johnson, Lake, Lauderdale, Lawrence, Lewis, Morgan, Pickett, Scott, Stewart, Trousdale, Van Buren, Warren, Wayne, and White.
- The number of counties that qualified business enterprises would have to be located within to be eligible for the proposed franchise tax credit has been reduced by approximately 63.5%.
- The Department of Revenue estimated a decrease of state revenues of $500,000 per year relative to the 74 counties meeting the original population requirements.
- Franchise tax liability is relatively proportional across the 27 economically distressed counties.
- The decrease of state revenues is estimated to be $183,000 per year ($500,000 X (100.0% - 63.5%) = $182,500).
- The one-time increase to state expenditures for computer and software enhancements is estimated to be $100,000.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

James W. White, Executive Director

/rnc